



*United States Attorney
Southern District of New York*

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CONTACT: U.S. ATTORNEY'S OFFICE
HERBERT HADAD, MEGAN GAFFNEY
HEATHER TASKER, BRIDGET KELLY
PUBLIC INFORMATION OFFICE
(212) 637-2600

**FORMER PRESIDENT OF MERRILL LYNCH GLOBAL ENERGY MARKETS
DIVISION SENTENCED TO FEDERAL PRISON FOR WIRE FRAUD,
MONEY LAUNDERING AND CONSPIRACY**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced that DANIEL L. GORDON, a former President of the Global Energy Markets division of Merrill Lynch Capital Services, Inc. ("GEM") and Merrill Lynch & Co., Inc. ("Merrill Lynch"), and a former President of Allegheny Energy Supply Company, LLP ("Allegheny") was sentenced today to 42 months in federal prison for defrauding Merrill Lynch out of \$43 million.

As set forth in the criminal Information charging GORDON, in the summer of 2000, GORDON knew that Merrill Lynch management wanted to hedge a certain large energy contract that Merrill Lynch had entered. GORDON then fabricated an energy insurance contract with a fictitious company as a purported hedge. GORDON structured the fictitious contract so that Merrill Lynch would pay a \$43 million premium in exchange for the purported energy supply hedge.

According to the Information, GORDON used the services of a Canadian company to create offshore shell companies, named Falcon Energy Holdings, S.A. ("Falcon") and Ostrich Capital Partners, Inc. ("Ostrich") to commit the fraud. To conceal the true ownership of Falcon and Ostrich, GORDON arranged for nominees to pose as putative principals. GORDON further caused bank accounts to be opened in Switzerland under the names of the fictitious companies and the nominees. As detailed in the Information, GORDON claimed to have negotiated with the principal of Falcon and to have reached an agreement for Falcon to provide energy insurance to GEM in exchange for a single payment of \$43,000,000.

According to the Information, on August 25, 2000, GORDON caused Merrill Lynch to wire transfer approximately \$43,000,000

to Falcon's Swiss bank account. On or about September 21, 2000, GORDON caused approximately \$33 million to be wire transferred from the Falcon account to another Swiss bank account held in the name of Ostrich. In October 2000, GORDON wired \$30 million from the Ostrich Swiss bank account to Kings Holdings, LLC, ("Kings") a Delaware shell corporation solely owned by GORDON. The next month, November 2000, GORDON used approximately \$23.5 million of the funds he had moved to Kings to purchase 70% of the outstanding shares of Daticon, Inc., a privately held document management services company with offices in Gales Ferry, Connecticut ("Daticon"). In or about late 2000, GORDON became the Chairman of the Board of Daticon, and in 2000, 2001 and 2002, GORDON received salary, bonus, commissions and other income payments from Daticon.

According to the Information, on or about January 8, 2001, GORDON became the president of Allegheny when it acquired the GEM division of Merrill Lynch and all of its assets, including the purported Falcon contract. In 2002, GORDON purported to negotiate a termination of the Falcon contract. GORDON created a fictitious termination agreement which ended the contract in exchange for Falcon's payment to Allegheny of \$550,000. The funds for the \$550,000 termination payment from Falcon came from a bank account held in the name of Eastern Energy, a fuel company GORDON had purchased in November 2001.

On December 19, 2003, GORDON pleaded guilty to conspiracy, wire fraud and money laundering, admitting his participation in creating the fictitious Falcon contract, causing \$43 million in funds to be wired to accounts under his control, and using those funds to make subsequent personal investments and other transfers for his personal use. GORDON further admitted having participated in an agreement to falsify certain of GEM's financial information provided to Allegheny in connection with the sale of GEM.

United States District Judge GERARD E. LYNCH sentenced GORDON to 42 months in prison and ordered forfeiture of \$43 million. The Government has recovered approximately \$32 million of that judgment to date.

GORDON, 29, resides in Manhattan, New York.

Mr. GARCIA praised the efforts of the Postal Inspection Service for their work in this case.

Assistant United States Attorneys JANE A. LEVINE and BARBARA A. WARD are in charge of the prosecution.

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